



**JOHN CHIANG**  
**California State Controller**

October 11, 2011

Miguel Santiago, President  
Board of Trustees  
Los Angeles Community College District  
770 Wilshire Boulevard  
Los Angeles, CA 90017

Dear Mr. Santiago:

In August 2011, the State Controller's Office (SCO) issued a report of its audit of the Los Angeles Community College District (LACCD) Proposition A/AA and Measure J Bond Expenditures. One of the audit findings (Finding 3) questioned the integrity of the process that led to the ultimate selection of the Inspector General over the bond construction program.

After the release of our final report, the district suggested that the SCO used an inappropriate key for scoring bidders. It is important to note that, throughout the audit process, the auditors thoroughly discussed the Inspector General selection issue with the officials of LACCD, including the Chancellor. In addition, a draft report containing this audit finding was presented to the LACCD for review and response. The issue of a second key was never brought to our attention.

Under professional auditing standards, the SCO has no obligation to review information that the LACCD failed to provide before final release of the audit report. However, as the issue raised important questions about the integrity of the selection process of an essential oversight body, we decided to perform a subsequent review to ensure that all pertinent evidence has been fully considered.

On September 8, 2011, we met with Chancellor LaVista to discuss the scope and purpose of this subsequent review. Thereafter, we interviewed the following LACCD staff individually:

- Dr. Adriana Barrera, Assistant Chancellor
- James Watson, Contract and Procurement Manager

In addition, we reviewed and analyzed the additional document that was not included in our audit review because LACCD failed to provide it to us during the audit.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874  
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907  
LOS ANGELES 600 Corporate Pointe, Suite 1000, Culver City, CA 90230 (310) 342-5656

Our review of the documentation and analysis of the results of interviews on September 8, 2011, did not change the main thrust of our finding related to the Inspector General:

- The approved procurement protocol was not followed;
- The process was not documented;
- The highest scoring bidder was not interviewed;
- The quantitative scores were not utilized in making the final determination;
- Cost was not included in the final decision;
- The RFP was poorly written; and
- The principal selected for the Inspector General (IG) lacks the proper qualifications to be an IG.

Moreover, based on review of the additional information and examination of the second key used to score the rating sheets, we identified further questions and concerns about the selection process. After going through a substantial effort to determine quantitatively who was the most qualified, this rated analysis apparently was ignored, as a final score was never even assigned to each bidder.

Based on our analysis of the rating sheets using the second key, Policy Masters, Inc. would have been ranked fifth because of its score. However, inexplicably, it was one of the four bidders selected for interview. The district's policies and procedures for procurement of special and professional services under PP-04-08 II Process, Proposal Evaluation, states in part ". . .the proposal receiving the highest score will be deemed the offer most advantageous to the district and be recommended for contract award."

We found no clear criteria governing how the four bidders were ultimately selected for interview. For example, Dr. Barrera suggested that the top scoring firm was not selected for interview because it was deemed by the evaluators to be too small of a firm. If this rationale was applied consistently, then Policy Masters, Inc. should have been disqualified as well, as it did not have any employees or clients at the time its bid was considered. Policy Masters, Inc. was created by one individual to bid on the Inspector General contract. It is unclear if the firm would have continued if its bid was not successful.

In addition, we found that LACCD apparently ignored the minimum qualification requirements when evaluating bidders. The Request for Proposal specified that the bidder must have five years of full-time paid audit or investigative experience with an investigative or auditing firm or a public entity. If this provision was enforced, then Policy Masters, Inc. should have been excluded from consideration in the selection process.

The core mission of the Office of the Inspector General is to provide independent oversight over LACCD's bond construction program. In the Enron scandal, the independence of the auditing firm, Arthur Andersen, was questioned because a significant portion of its fees was derived through providing auditing and consulting services to Enron. In the case of Policy Masters, Inc., its total income is from LACCD, which also raises questions about independence.

During the course of this subsequent investigation, Mr. James Watson, the District's Contract and Procurement Manager, was unclear and could not provide documentation that the procurement procedures were followed and Chancellor La Vista described the selection process as "sloppy as hell." While it is possible that the apparent discrepancies noted in this letter and in our audit report were caused by extremely shoddy procurement practices and procedures rather than intentional circumvention of controls, closer scrutiny is required before such a determination can be made. As noted in our audit report and previous correspondence to the Board, we believe an independent investigation, conducted by an entity outside the sphere of influence of the LACCD, is necessary and appropriate given the importance of maintaining integrity in fact and in appearance for the Office of the Inspector General. We understand that not only has LACCD made special arrangements with the Los Angeles City Auditor's Office for an independent investigation, but that the Los Angeles County District Attorney's Office has opened a separate probe into the matter. The State Controller's Office is willing to meet with the investigators to share any document or evidence gathered during the audit and to answer any questions they may have.

Sincerely,  
Original signed by:

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

cc: The Honorable Tina Park, First Vice President  
Board of Trustees, Los Angeles Community College District  
The Honorable Nancy Pearlman, Second Vice President  
Board of Trustees, Los Angeles Community College District  
The Honorable Kelly Candaele, Board Member  
Board of Trustees, Los Angeles Community College District  
The Honorable Mona Field, Board Member  
Board of Trustees, Los Angeles Community College District  
The Honorable Scott Svonkin, Board Member  
Board of Trustees, Los Angeles Community College District  
The Honorable Steve Veres, Board Member  
Board of Trustees, Los Angeles Community College District  
Dr. Daniel J. LaVista, Chancellor  
Los Angeles Community College District  
The Honorable Steve Cooley  
County of Los Angeles  
The Honorable Wendy Gruel, City Auditor  
City of Los Angeles